



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

STATE OF NEW MEXICO

**REGION III HOUSING AUTHORITY,
NEW MEXICO, INC.**

FINANCIAL STATEMENTS

Fiscal Years Ended December 31, 2005, 2006 and 2007

(With Independent Auditor's Report Thereon)

STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY,
NEW MEXICO, INC.

FINANCIAL STATEMENTS
Fiscal Years Ended December 31, 2005, 2006 and 2007

(With Independent Auditor's Report Thereon)

STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY, NEW MEXICO, INC.

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December 31, 2005, 2006 and 2007

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STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY, NEW MEXICO, INC.

OFFICIAL ROSTER
December 31, 2005, 2006 and 2007

Region III Housing Authority

Board of Directors

Position

Filo M. Sedillo

Chairman

Dan Rudolph

Vice Chairman

Ross Aranda

Secretary/Treasurer

Eugene Hurtado*

Member

J. Morrow Hall

Member

Delores Molina

Member

Ronnie Wallace

Member

Administrative Staff

Vincent "Smiley" Gallegos*

Executive Director

Dennis Kennedy, CPA*

Chief Financial Officer

James Raia**

Fiscal Manager

*Resigned in 2006.

**Resigned in 2007.

STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY, NEW MEXICO, INC.

OFFICIAL ROSTER
December 31, 2005, 2006 and 2007

Housing Enterprises, Inc.*

<u>Board of Directors</u>	<u>Position</u>
J. Morrow Hall	Chairman
Eugene Hurtado	Vice Chairman
Dolores Molina	Secretary/Treasurer
Nina Altimirano	Member
Charlie Esparza	Member
Marjorie Gogolya	Member
Johnny Chavez	Member

Administrative Staff

Vincent "Smiley" Gallegos	Executive Director
Dennis Kennedy, CPA	Chief Financial Officer
James Raia	Fiscal Manager

*Dissolved in October 2007.



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

INDEPENDENT AUDITOR'S REPORT

Executive Director and Board of Directors
Region III Housing Authority, New Mexico, Inc.
809 Copper Ave.
Albuquerque, New Mexico 87102

We were engaged to audit the accompanying financial statements of the business-type activities of Region III Housing Authority, New Mexico, Inc. (Region III) as of and for the fiscal years ended December 31, 2005, 2006 and 2007 which collectively comprise Region III's basic financial statements as listed in the table of contents. The financial statements are the responsibility of Region III's management.

The scope of our audit of Region III was severely limited due to the lack of numerous accounting records for the fiscal years ended December 31, 2005, 2006 and 2007. The supporting documentation for expenditures was missing. Also, the personnel files, payroll records, several months of bank statements, and some of the minutes of the meetings of the board were missing.

Because of the significance of the matters discussed in the preceding paragraph, we are unable to express, and do not express an opinion on the financial statements referred to in the first paragraph.

The accompanying basic financial statements referred to above have been prepared assuming Region III will continue as a going-concern. As further discussed in Note IV.I to the financial statements, for the fiscal years ended December 31, 2005, 2006 and 2007, Region III incurred an operating loss of \$1,934,155, \$519,747, and \$42,268, respectively. As of December 31, 2005, 2006 and 2007, Region III had a deficit net asset balance of \$2,423,969, \$2,946,115 and \$3,261,318, respectively. In August 2006, the Mid-Region Council of Governments took over Region III's operations after Region III defaulted on its payment obligations on a Series 2003 Bond. These conditions raise substantial doubt about Region III's ability to continue as a going-concern for a reasonable period of time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

To emphasize a matter, Region III made significant transactions with related parties that are highly questionable. Region III sold two properties to Region III employees. Also, Region III sold one property to a member of HEI's Board of Directors.

Region III has not presented the Management's Discussion and Analysis required by *GASB Statement No. 34* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008 on our consideration of Region III's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considering assessing the results of our audits.



OFFICE OF THE STATE AUDITOR

December 19, 2008

State of New Mexico
Region III Housing Authority, New Mexico, Inc.
Statement of Net Assets
Enterprise Funds
For the Years Ended December 31, 2005, 2006 and 2007

Exhibit I-1

	2005		
	HOUSING AUTHORITY	COMPONENT UNIT	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 89,066	\$ 165,546	\$ 254,611
Accounts Receivable	-	-	-
Note Receivable	13,772	250,000	263,772
Due from other Regions	625,165	-	625,165
Housing Inventories	5,469,273	1,279,989	6,749,263
Total Current Assets	<u>6,197,276</u>	<u>1,695,535</u>	<u>7,892,811</u>
Noncurrent Assets:			
Capital Assets	337,469	65,993	403,462
Less Accumulated Depreciation	(39,495)	(15,595)	(55,090)
Notes Receivable	16,347	-	16,347
Total Noncurrent Assets	<u>314,321</u>	<u>50,398</u>	<u>364,719</u>
Total Assets	<u>6,511,597</u>	<u>1,745,933</u>	<u>8,257,530</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	-	-
Interest Payable	612,336	-	612,336
Current Portion of Long-Term Debt	62,819	-	62,819
Total Current Liabilities	<u>675,155</u>	<u>-</u>	<u>675,155</u>
Noncurrent Liabilities:			
Lease Purchase Payable	4,671,866	-	4,671,866
Notes Payable	332,878	-	332,878
Bonds Payable	5,000,000	-	5,000,000
Tenant Deposit	600	1,000	1,600
Due to Region I	-	-	-
Total Noncurrent liabilities	<u>10,005,344</u>	<u>1,000</u>	<u>10,006,344</u>
Total Liabilities	<u>10,680,499</u>	<u>1,000</u>	<u>10,681,499</u>
NET ASSETS:			
Invested in capital assets, net of related debt	297,974	50,398	348,372
Unrestricted (Deficit)	(4,466,876)	1,694,535	(2,772,341)
Total Net Assets	<u>\$ (4,168,902)</u>	<u>\$ 1,744,933</u>	<u>\$ (2,423,969)</u>

The notes to the financial statements are an integral part of these statements.

State of New Mexico
Region III Housing Authority, New Mexico, Inc.
Statement of Net Assets
Enterprise Funds
For the Years Ended December 31, 2005, 2006 and 2007

Exhibit I-2

	2006		
	HOUSING AUTHORITY	COMPONENT UNIT	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 11,941	\$ 11,799	\$ 23,740
Accounts Receivable	9,181	-	9,181
Note Receivable	15,034	-	15,034
Due from other Regions	1,002,175	-	1,002,175
Housing Inventories	4,489,494	977,568	5,467,062
Total Current Assets	<u>5,527,825</u>	<u>989,367</u>	<u>6,517,192</u>
Noncurrent Assets:			
Capital Assets	337,468	65,993	403,461
Less Accumulated Depreciation	(52,469)	(28,794)	(81,263)
Notes Receivable	15,086	-	15,086
Total Noncurrent Assets	<u>300,085</u>	<u>37,199</u>	<u>337,284</u>
Total Assets	<u>5,827,910</u>	<u>1,026,566</u>	<u>6,854,476</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	-	-
Interest Payable	612,651	-	612,651
Current Portion of Long-Term Debt	53,622	-	53,622
Total Current Liabilities	<u>666,273</u>	<u>-</u>	<u>666,273</u>
Noncurrent Liabilities:			
Lease Purchase Payable	3,729,626	-	3,729,626
Notes Payable	325,000	-	325,000
Bonds Payable	5,000,000	-	5,000,000
Tenant Deposit	600	1,000	1,600
Due to Region I	-	78,092	78,092
Total Non-current liabilities	<u>9,055,226</u>	<u>79,092</u>	<u>9,134,318</u>
Total Liabilities	<u>9,721,499</u>	<u>79,092</u>	<u>9,800,591</u>
NET ASSETS:			
Invested in capital assets, net of related debt	284,999	37,199	322,198
Unrestricted (Deficit)	(4,178,588)	910,275	(3,268,313)
Total Net Assets	<u>\$ (3,893,589)</u>	<u>\$ 947,474</u>	<u>\$ (2,946,115)</u>

The notes to the financial statements are an integral part of these statements.

State of New Mexico
Region III Housing Authority, New Mexico, Inc.
Statement of Net Assets
Enterprise Funds
For the Years Ended December 31, 2005, 2006 and 2007

Exhibit 1-3

	2007		
	HOUSING AUTHORITY	COMPONENT UNIT	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 8,993	\$ 169	\$ 9,162
Accounts Receivable	18,225	-	18,225
Note Receivable	-	-	-
Due from other Regions	1,002,175	-	1,002,175
Housing Inventories	4,235,759	12,000	4,247,759
Total Current Assets	<u>5,265,152</u>	<u>12,169</u>	<u>5,277,321</u>
Noncurrent Assets			
Capital Assets	13,404	-	13,404
Less Accumulated Depreciation	(8,042)	-	(8,042)
Notes Receivable	-	-	-
Total Noncurrent Assets	<u>5,362</u>	<u>-</u>	<u>5,362</u>
Total Assets	<u>5,270,514</u>	<u>12,169</u>	<u>5,282,683</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	8,920	-	8,920
Interest Payable	580,347	-	580,347
Current Portion of Long-Term Debt	53,815	-	53,815
Total Current Liabilities	<u>643,082</u>	<u>-</u>	<u>643,082</u>
Noncurrent Liabilities:			
Lease Purchase Payable	3,485,327	-	3,485,327
Notes Payable	-	-	-
Bond Payable	4,337,500	-	4,337,500
Tenant Deposit	-	-	-
Due to Region I	-	78,092	78,092
Total Noncurrent liabilities	<u>7,822,827</u>	<u>78,092</u>	<u>7,900,919</u>
Total Liabilities	<u>8,465,909</u>	<u>78,092</u>	<u>8,544,001</u>
NET ASSETS:			
Invested in capital assets, net of related debt	5,362	-	5,362
Unrestricted (Deficit)	(3,200,757)	(65,923)	(3,266,680)
Total Net Assets	<u>\$ (3,195,395)</u>	<u>\$ (65,923)</u>	<u>\$ (3,261,318)</u>

The notes to the financial statements are an integral part of these statements.

State of New Mexico
Region III Housing Authority, New Mexico, Inc.
Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Years Ended December 31, 2005, 2006 and 2007

Exhibit II-1

	2005		
	HOUSING AUTHORITY	COMPONENT UNIT	TOTAL
Operating Revenues:			
Charges for services	\$ 172,651	\$ -	\$ 172,651
Real Estate Sales	31,844	144,446	176,290
DFA: Grant Income	-	-	-
Rent/Lease Income	3,241	-	3,241
Contribution Income: Unrestricted	160,587	31,181	191,768
Monthly Issuer Fee	255	-	255
Commission Earned	2,531	7,968	10,499
Reimbursed Expenses (Income)	72,715	1,220	73,935
Villa Hermosa Income	14,566	-	14,566
Total Operating Revenues	<u>458,390</u>	<u>184,815</u>	<u>643,205</u>
Operating Expenses:			
General and administrative	2,065,557	486,583	2,552,140
Depreciation	12,975	12,245	25,220
Total Operating Expenses	<u>2,078,532</u>	<u>498,828</u>	<u>2,577,360</u>
Operating (Loss)	<u>(1,620,142)</u>	<u>(314,013)</u>	<u>(1,934,155)</u>
Non-Operating Revenues (Expenses)			
Interest Income	3,260	-	3,260
Miscellaneous Income	24	-	24
Interest Expense	-	-	-
Miscellaneous Expense	-	-	-
Gain on Transfer of Property to SIO	-	-	-
Gain on Sale of Vehicles	-	-	-
Gain on Sale of Property	209,604	-	209,604
Gain on Sale of Inventory	-	-	-
Gain on Sale of Capital Assets	-	-	-
Loss on Sale of Inventory	-	-	-
Loss on Sale of Property	(7,240)	-	(7,240)
Total Non-Operating Revenue (Expenses)	<u>205,648</u>	<u>-</u>	<u>205,648</u>
Income(loss) before contributions and transfers	(1,414,494)	(314,013)	(1,728,507)
Transfers In	1,231,220	-	1,231,220
Transfers Out	(918,106)	(313,114)	(1,231,220)
Change in Net Assets	<u>(1,101,380)</u>	<u>(627,127)</u>	<u>(1,728,507)</u>
Total Net Assets - Beginning	<u>(3,067,522)</u>	<u>2,372,060</u>	<u>(695,462)</u>
Total Net Assets - Ending	<u>\$ (4,168,902)</u>	<u>\$ 1,744,933</u>	<u>\$ (2,423,969)</u>

The notes to the financial statements are an integral part of these statements.

State of New Mexico
Region III Housing Authority, New Mexico, Inc.
Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2005, 2006 and 2007

Exhibit II-2

	2006		
	HOUSING AUTHORITY	COMPONENT UNIT	TOTAL
Operating Revenues:			
Charges for services	\$ 199,943	\$ -	\$ 199,943
Real Estate Sales	132,987	250,257	383,244
DFA: Grant Income	-	-	-
Rent/Lease Income	23,076	-	23,076
Contribution Income: Unrestricted	-	-	-
Monthly Issuer Fee	-	-	-
Commission Earned	-	829	829
Reimbursed Expenses (Income)	-	5,124	5,124
Villa Hermosa Income	14,429	-	14,429
Total Operating Revenues	<u>370,435</u>	<u>256,210</u>	<u>626,645</u>
Operating Expenses:			
General and administrative	630,409	489,810	1,120,219
Depreciation Expenses	12,975	13,198	26,173
Total Operating Expenses	<u>643,384</u>	<u>503,008</u>	<u>1,146,392</u>
Operating Income (Loss)	<u>(272,949)</u>	<u>(246,798)</u>	<u>(519,747)</u>
Non-Operating Revenues (Expenses)			
Interest Income	-	25,646	25,646
Miscellaneous Income	-	299	299
Interest Expense	-	-	-
Miscellaneous Expense	-	-	-
Gain on Transfer of Property to SIO	-	-	-
Gain on Sale of Vehicles	-	-	-
Gain on Sale of Property	50,708	-	50,708
Gain on Sale of Inventory	-	-	-
Gain on Sale of Capital Assets	-	-	-
Loss on Sale of Inventory	-	-	-
Loss on Sale of Property	(79,052)	-	(79,052)
Total Non-Operating Revenue (Expenses)	<u>(28,344)</u>	<u>25,945</u>	<u>(2,399)</u>
Income(loss) before contributions and transfers	(301,293)	(220,853)	(522,146)
Transfers In	924,640	-	924,640
Transfers Out	(348,034)	(576,606)	(924,640)
Change in Net Assets	<u>275,313</u>	<u>(797,459)</u>	<u>(522,146)</u>
Total Net Assets - Beginning	<u>(4,168,902)</u>	<u>1,744,933</u>	<u>(2,423,969)</u>
Total Net Assets - Ending	<u>\$ (3,893,589)</u>	<u>\$ 947,474</u>	<u>\$ (2,946,115)</u>

The notes to the financial statements are an integral part of these statements.

State of New Mexico
Region III Housing Authority, New Mexico, Inc.
Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2005, 2006 and 2007

Exhibit II-3

	2007		
	HOUSING AUTHORITY	COMPONENT UNIT	TOTAL
Operating Revenues:			
Charges for service	\$ 86,641	\$ -	\$ 86,641
Real Estate Sales	-	13,484	13,484
Rent/Lease Income	8,838	-	8,838
DFA: Grant Income	25,000	-	25,000
Contribution Income: Unrestricted	-	-	-
Monthly Issuer Fee	-	-	-
Commission Earned	-	-	-
Reimbursed Expenses (Income)	-	-	-
Villa Hermosa Income	42,386	-	42,386
Total Operating Revenues	<u>162,865</u>	<u>13,484</u>	<u>176,349</u>
Operating Expenses:			
General and administrative	184,173	18,338	202,511
Depreciation	9,507	6,599	16,106
Total Operating Expenses	<u>193,680</u>	<u>24,937</u>	<u>218,617</u>
Operating Income (Loss)	<u>(30,815)</u>	<u>(11,453)</u>	<u>(42,268)</u>
Non-Operating Revenues (Expenses)			
Interest Income	-	-	-
Miscellaneous Income	4,603	67	4,670
Interest Expense	-	-	-
Miscellaneous Expense	-	-	-
Gain on Transfer of Property to SIO	50,802	-	50,802
Gain on Sale of Vehicles	2,183	-	2,183
Gain on Sale of Property	52,469	-	52,469
Gain on Sale of Inventory	82,918	1,000	83,918
Gain on Sale of Capital Assets	-	-	-
Loss on Sale of Inventory	(49,562)	-	(49,562)
Loss on Sale of Property	(4,301)	(413,114)	(417,415)
Total Non-Operating Revenue (Expenses)	<u>139,112</u>	<u>(412,047)</u>	<u>(272,935)</u>
Income(loss) before contributions and transfers	108,297	(423,499)	(315,203)
Transfers In	-	-	-
Transfers Out	589,897	(589,897)	-
Change in Net Assets	<u>698,194</u>	<u>(1,013,397)</u>	<u>(315,202)</u>
Total Net Assets - Beginning	<u>(3,893,589)</u>	<u>947,474</u>	<u>(2,946,115)</u>
Total Net Assets - Ending	<u>\$ (3,195,395)</u>	<u>\$ (65,923)</u>	<u>\$ (3,261,318)</u>

The notes to the financial statements are an integral part of these statements.

State of New Mexico
Region III Housing Authority, New Mexico, Inc.
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2005, 2006 and 2007

Exhibit III-1

	2005		
	HOUSING AUTHORITY	COMPONENT UNIT	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from sales or services	\$ 802,401	\$ 29,888	\$ 832,289
Payments to suppliers and on behalf of employees	(1,468,853)	(484,515)	(1,953,368)
Net Cash (Used) By Operating Activities	<u>(666,452)</u>	<u>(454,627)</u>	<u>(1,121,079)</u>
CASH FLOWS FROM NON-OPERATING ACTIVITIES			
Payments on long-term debt	(20,000)	-	(20,000)
Proceeds from long-term debt	20,000	-	20,000
Transfers from other funds	1,079,405	-	1,079,405
Transfers to other funds	(761,661)	-	(761,661)
Net Cash Provided by Non-Operating Activities	<u>317,744</u>	<u>-</u>	<u>317,744</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	-	-	-
Sales of properties	-	1,883,587	1,883,587
Payments out for improvements on properties	-	(610,690)	(610,690)
Purchase of properties	-	(699,475)	(699,475)
Net Cash Provided By Non-Operating Activities	<u>-</u>	<u>573,422</u>	<u>573,422</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	-	-
Purchase of capital assets	(8,082)	(32,482)	(40,564)
Capital Contributions	-	-	-
Net Cash (Used) by Capital and Related Financing Activities	<u>(8,082)</u>	<u>(32,482)</u>	<u>(40,564)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Transfer of funds	-	(470,248)	(470,248)
Notes Receivable	-	(250,000)	(250,000)
Notes Payable	-	300,000	300,000
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(420,248)</u>	<u>(420,248)</u>
Net (Decrease) in Cash and Cash Equivalents	(356,790)	(333,935)	(690,725)
Balances - beginning of the year	445,856	499,481	945,337
Balances - end of the year	<u>\$ 89,066</u>	<u>\$ 165,546</u>	<u>\$ 254,612</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating (Loss)	\$ (1,620,142)	\$ (314,013)	\$ (1,934,155)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	12,975	12,245	25,220
Change in Assets and Liabilities:			
Receivable, Net	368,530	(154,926)	213,604
Housing Inventories	(381,912)	-	(381,912)
Note Receivable	13,772	-	13,772
Accounts Payable and other payables	940,325	2,067	942,392
Due from other regions	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (666,452)</u>	<u>\$ (454,627)</u>	<u>\$ (1,121,079)</u>

The notes to the financial statements are an integral part of these statements.

State of New Mexico
Region III Housing Authority, New Mexico, Inc.
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2005, 2006 and 2007

Exhibit III-2

	2006		
	HOUSING AUTHORITY	COMPONENT UNIT	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from sales or services	\$ 362,184	\$ 222,342	\$ 584,526
Payments to suppliers and on behalf of employees	(631,668)	(491,476)	(1,123,144)
Net Cash (Used) By Operating Activities	<u>(269,484)</u>	<u>(269,134)</u>	<u>(538,618)</u>
CASH FLOWS FROM NON-OPERATING ACTIVITIES			
Payments on long-term debt	(9,197)	-	(9,197)
Proceeds from long-term debt	-	-	-
Transfers from other funds	926,088	-	926,088
Transfers to other funds	(724,532)	-	(724,532)
Net Cash Provided by Non-Operating Activities	<u>192,359</u>	<u>-</u>	<u>192,359</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	-	-	-
Sales of properties	-	618,350	618,350
Payments out for improvements on properties	-	(233,208)	(233,208)
Purchase of properties	-	-	-
Net Cash Provided by Non-Operating Activities	<u>-</u>	<u>385,141</u>	<u>385,141</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	-	-
Purchase of capital assets	-	-	-
Capital Contributions	-	-	-
Net Cash (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Transfer of funds	-	(545,400)	(545,400)
Notes Receivable	-	275,646	275,646
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(269,754)</u>	<u>(269,754)</u>
Net (Decrease) in Cash and Cash Equivalents	(77,125)	(153,747)	(230,872)
Balances - beginning of the year	89,066	165,546	254,612
Balances - end of the year	<u>\$ 11,941</u>	<u>\$ 11,799</u>	<u>\$ 23,740</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating (Loss)	\$ (272,949)	\$ (246,798)	\$ (519,747)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	12,975	13,198	26,173
Change in Assets and Liabilities:			
Receivable, Net	9,181	(33,868)	(24,687)
Housing Inventories	(60,063)	-	(60,063)
Note Receivable	15,034	-	15,034
Accounts Payable and other payables	26,338	(1,666)	24,672
Due from other regions	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (269,484)</u>	<u>\$ (269,134)</u>	<u>\$ (538,618)</u>

The notes to the financial statements are an integral part of these statements.

State of New Mexico
Region III Housing Authority, New Mexico, Inc.
Statement of Cash Flows
Enterprise Funds

Exhibit III-3

For the Year Ended December 31, 2005, 2006 and 2007

	2007		
	HOUSING AUTHORITY	COMPONENT UNIT	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from sales or services	\$ 158,582	\$ 67	\$ 158,649
Payments to suppliers and on behalf of employees	(149,930)	(18,368)	(168,298)
Net Cash (Used) By Operating Activities	<u>8,652</u>	<u>(18,301)</u>	<u>(9,649)</u>
CASH FLOWS FROM NON-OPERATING ACTIVITIES			
Payments on long-term debt	-	-	-
Proceeds from long-term debt	-	-	-
Transfers from other funds	71,885	-	71,885
Transfers to other funds	(83,485)	-	(83,485)
Net Cash Provided by Non-Operating Activities	<u>(11,600)</u>	<u>-</u>	<u>(11,600)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	-	-	-
Sales of properties	-	-	-
Payments out for improvements on properties	-	(4,929)	(4,929)
Purchase of properties	-	-	-
Net Cash Provided By Non-Operating Activities	<u>-</u>	<u>(4,929)</u>	<u>(4,929)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	-	-
Purchase of capital assets	-	-	-
Capital Contributions	-	-	-
Net Cash (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Transfer of funds	-	11,600	11,600
Notes Receivable	-	-	-
Net Cash (Used) by Capital and Related Financing Activities	<u>-</u>	<u>11,600</u>	<u>11,600</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(2,948)	(11,630)	(21,249)
Balances - beginning of the year	11,941	11,799	23,559
Balances - end of the year	<u>\$ 8,993</u>	<u>\$ 169</u>	<u>\$ 9,162</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating (Loss)	\$ (30,815)	\$ (11,453)	\$ (42,268)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	9,507	6,599	16,106
Change in Assets and Liabilities:			
Receivable, Net	18,225	(13,447)	4,778
Housing Inventories	-	-	-
Accounts Payable and other payables	11,735	-	11,735
Due from other regions	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,652</u>	<u>\$ (18,301)</u>	<u>\$ (9,649)</u>

The notes to the financial statements are an integral part of these statements.

STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY, NEW MEXICO, INC.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005, 2006 and 2007

I. Summary of Significant Accounting Policies

A. General

The Region III Housing Authority, New Mexico, Inc. (Region III) was created pursuant to the Regional Housing Law, Chapter 11, Article 3A NMSA 1978. The law created seven regional housing authorities throughout New Mexico to provide decent, safe and sanitary housing for low-income residents. Region III consists of Sandoval, Bernalillo, Valencia and Torrance Counties. Region III also assists other organizations and units of local government to operate, manage and administer housing programs and projects that achieve this objective. Region III commenced operations as a New Mexico non-profit corporation on October 1, 2001. Region III was incorporated September 12, 2001. In August 2006 the Mid-Region Council of Governments (MRCOG) took over Region III's operations after Region III defaulted on its payment obligations on a Series 2003 Bond.

The following are descriptions of Region III's programs:

- Acquisition and Rehabilitation

Funded by bond issue fees and notes from various lenders, Region III purchases and refurbishes homes listed by HUD for resale to qualified low-income buyers.

- Lease-Purchase

Funded by bond issue fees, this program allows qualified low-income families to lease a home for a three-year period, during which credit counseling is provided. If the family has adequately remedied their credit situation at the end of the three-year period, they are then allowed to purchase the property and retain the equity accumulated during the lease period.

- Home Ownership Counseling

Funded by bond issue fees, this program provides credit and home ownership counseling to qualified low-income families and individuals.

B. Financial Reporting Entity

Region III's balance sheet includes the accounts of all Region III operations. The criteria for including organizations as component units within Region III's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting, include whether:

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- The organization is legally separate (can sue and be sued in their own name);
- Region III holds the corporate powers of the organization;
- Region III appoints a voting majority of the organization's board;
- Region III is able to impose its will on the organization;
- The organization has the potential to impose financial benefit or burden on Region III; and
- There is a fiscal dependency by the organization on Region III.

Based on the aforementioned criteria, Region III determined that Housing Enterprises, Inc. (HEI) is a blended component unit of Region III; however, HEI was discreetly presented.

HEI was a New Mexico non-profit corporation set up by Region III. HEI incorporated and started operations on July 30, 2003. The Articles of Incorporation for HEI state that the purpose of HEI is to support, and act on behalf of, Region III. HEI served regional housing authorities throughout New Mexico and was governed by an executive board comprised of seven members. Members of HEI's board also served on Region III's board and the boards of other New Mexico regional housing authorities, including Regions I, IV and VII. HEI was involved in the acquisition and rehabilitation of properties to be sold to regional housing authorities throughout New Mexico for use in their programs. HEI is reported as an enterprise fund in the financial statements. Although HEI's Articles of Incorporation state that HEI intended to be tax-exempt under Section 501(c)(3) of the Internal Revenue Code, such status was never granted to HEI by the Internal Revenue Service. HEI's non-profit corporation license was revoked on March 28, 2008.

C. Basis of Presentation and Reporting Format

The financial statements of Region III have been prepared on the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Region III utilizes an enterprise fund to account for its operations as it is the intent of the governing body that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Region III does not utilize encumbrance accounting. Region III applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
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D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements

The statement of net assets and statement of revenues, expenses and changes in fund net assets display information about the primary government (Region III) and its component unit (HEI). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-accounting of internal activities. These internal activities include accounts receivable and accounts payable transactions between Region III and its component unit.

Region III does not have fiduciary funds.

Region III net assets consist of invested in capital assets, net of related debt and unrestricted net assets/(deficit). Invested in capital assets consists of net of related debt, which is the cost of capital assets, net of accumulated depreciation, unrestricted net assets, and restricted net assets - wherein the constraints placed on net assets are either by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a enterprise fund's principal ongoing operations. The principal operating revenues of Region III are Bond Inducement Fees and Credit Report Fees. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is Region III's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets and Liabilities

1. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

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State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the State treasurer's investment pool.

New Mexico statute, Section 6-10-17 NMSA 1978, requires that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50 percent of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by Region III (HEI). The pledged securities remain in the name of the financial institution.

2. Accounts Receivable and Accounts Payable

Accounts receivable consist of \$9,044 and \$18,225 for bonds issuer's fee as of December 31, 2006 and 2007 respectively.

Region III's accounts payable represent routine monthly bills for services rendered and products purchased which are paid for in the following month. In June 2007, Region III entered into a professional services agreement with the Mid-Region Council of Governments (MRCOG) for "professional operational and financial management and legal services to Region III to assist Region III to carry out its powers and duties under the Regional Housing Law and the Nonprofit Corporation Act . . ." MRCOG charged Region III \$35,000 for its services under the contract. In lieu of payment to MRCOG, Region III sold three vehicles to MRCOG for \$26,080, leaving an unpaid balance of \$8,920. Therefore, as of December 31, 2007, Region III accounts payable consists of \$8,920 due to MRCOG.

Due to lack of documentation accounts payable are unable to be determined for fiscal years ending December 31, 2005, 2006, and 2007. There was no record of invoices, vouchers, or any other supporting documentation for these years. The documentation consisted of travel and per diem reimbursement vouchers along with several invoices for legal fees along with a small number of immaterial invoices. Not all of the invoices had the proof of payment (check stub) attached.

3. Capital Assets

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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Buildings	30 years
Equipment & Vehicles	5 years

Capital assets with a value or cost greater than \$1,000 are accounted for as capital assets. For assets acquired after June 17, 2005, the capitalization limit was raised to \$5,000. Older capital assets that were capitalized under previous capitalization thresholds were not removed from the capital asset list during the implementation of the latest capitalization threshold.

4. Compensated Absences

Region III does not have any supporting documentation regarding compensated absences for the fiscal years ending December 31, 2005, 2006 and 2007. Therefore, a liability for compensated absences is not reported in the financial statements.

Vested or accumulated leave with pay is reported as expenditure and a fund liability of the enterprise funds.

Employees accrue annual leave with pay based upon years of service as follows:

Over 6 months up to 1 year	10 days
Over 1 year up to 3 years	13 days
Over 3 years up to 5 years	15 days
Over 5 years up to 7 years	17 days
Over 7 years up to 10 years	20 years
Over 10 years up to 15 years	25 years
Over 15 years	30 days

Employees receive their allotment of annual leave with pay at their anniversary date to be used during the following year. Employees must use the allotment by the following anniversary date; otherwise, it is lost. Upon termination, employees are paid at their current rate for any remaining accrued leave.

Also, due to the lack of documentation, any payroll liabilities for Region III were unable to be determined for fiscal years ending December 31, 2005, 2006 and 2007.

5. Housing Inventory

Housing inventory is valued at cost and represents homes purchased under the Acquisition, Rehabilitation and Lease-Purchase programs.

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NOTES TO THE FINANCIAL STATEMENTS
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6. Cash Flows

For the purpose of the statement of cash flows, Region III considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

7. Revenues

Operating revenues are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Operating revenues include fees, fines and charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including interest and contributions, are presented as non-operating revenues.

8. Net Assets

The difference between Region III's assets and liabilities is its net assets. Region III's net assets consist of three components: (1) invested in capital assets, which is the cost of capital assets, net of accumulated depreciation; (2) restricted net assets, which are liquid assets and have third-party (statutory, bond covenant or granting agency) limitations on their use; and (3) unrestricted net assets. Region III currently has no restricted net assets at each fiscal year end.

Region III had deficit net asset balances of \$2,423,969, \$2,946,115, and \$3,261,318 respectively for the fiscal years ended December 31, 2005, 2006 and 2007.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

No formal approved budgets were prepared by Region III or HEI's management for the fiscal years ended December 31 2005, 2006 and 2007.

III. Detailed Notes on all Funds

A. Cash

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Region III does not have a deposit policy for custodial credit risk beyond that disclosed in Note 1.

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As of fiscal year ended December 31, 2005, Region III had a carrying amount of deposits of \$89,066. The difference between the carrying amount and the bank balance of deposits was due to outstanding checks of \$18,756. The bank balance consisted of:

First Community Bank

Demand deposits	\$ 88,065
Less: FDIC coverage	\$ (88,065)
Amount Uninsured	<u>\$ -0-</u>

Compass Bank – Payroll Account

Demand deposits	\$ 19,757
Less: FDIC coverage	\$ (19,757)
Amount Uninsured	<u>\$ -0-</u>

As of fiscal year ended December 31, 2006, Region III had a carrying amount of deposits of \$11,941. The difference between the carrying amount and the bank balance of deposits was due to outstanding checks of \$28,912. The bank balance consisted of:

First Community Bank

Demand deposits	\$ 37,242
Less: FDIC coverage	\$ (37,242)
Amount Uninsured	<u>\$ -0-</u>

Compass Bank – Payroll Account

Demand deposits	\$ 3,611
Less: FDIC coverage	\$ (3,611)
Amount Uninsured	<u>\$ -0-</u>

As of fiscal year ended December 31, 2007, Region III had a carrying amount of deposits of \$8,993. The difference between the carrying amount and the bank balance of deposits was due to outstanding checks of \$825. The bank balance consisted of:

First Community Bank

Demand deposits	\$ 8,998
Less: FDIC coverage	<u>\$ (8,998)</u>

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Amount Uninsured \$ -0-

Compass Bank – Payroll Account

Demand deposits \$ 820
Less: FDIC coverage \$ (820)
Amount Uninsured \$ -0-

HEI does not have a deposit policy for custodial credit risk beyond that disclosed in Note 1. As of December 31, 2005, HEI had a carrying amount of deposits of \$165,546. The difference between the carrying amount and the bank balance of deposits was due to outstanding checks of \$14,218. The bank balance consisted of:

First Community Bank

Demand deposits \$ 159,280
Less: FDIC coverage \$ (100,000)
Amount Uninsured \$ 59,280

50% collateralization requirement \$ 29,640
Pledged collateral \$ 496,130
Amount Uninsured \$ 466,490

<u>CUSIP#</u>	<u>Type</u>	<u>Fair Market Value</u>	<u>Par Value</u>	<u>Maturity Date</u>
3133MTQB7	FHLB	\$146,625	\$150,000	11/15/07
313921FQ6	FNR	\$151,679	\$150,000	11/25/16
31394YP24	FHR	<u>\$197,826</u>	<u>\$200,000</u>	07/23/15
		<u>\$496,130</u>	<u>\$500,000</u>	

Collateral pledged is held in safekeeping by Federal Home Loan Bank in Dallas, Texas with safekeeping receipts held by Region III (HEI) and the pledged securities remain in the name of the financial institution.

Compass Bank – Payroll Account

Demand deposits \$ 20,484
Less: FDIC coverage \$ (20,484)
Amount Uninsured \$ -0-

As of fiscal year ended December 31, 2006, HEI had a carrying amount of deposits of \$11,799. The difference between the carrying amount and the bank balance of deposits was due to outstanding checks of \$21,971. The bank balance consisted of:

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First Community Bank

Demand deposits	\$ 30,471
Less: FDIC coverage	<u>\$ (30,471)</u>
Amount Uninsured	<u><u>\$ -0-</u></u>

Compass Bank – Payroll Account

Demand deposits	\$ 3,299
Less: FDIC coverage	<u>\$ (3,299)</u>
Amount Uninsured	<u><u>\$ -0-</u></u>

As of fiscal year ended December 31, 2007, HEI had a carrying amount of deposits of \$169. The difference between the carrying amount and the bank balance of deposits was due to outstanding checks of \$99. The bank balance consisted of:

First Community Bank

Demand deposits	\$ 268
Less: FDIC coverage	<u>\$ (268)</u>
Amount Uninsured	<u><u>\$ -0-</u></u>

B. Accounts Receivable

Region III received an Issuer's Fee for the issuance of multifamily housing revenue bonds. As Trustee for Issuer's Fee payments to Region III, the Trust Department of Regions Bank pays the Issuer's Fee from the revenue bonds annually. The Trustee owes \$9,181 and \$9,044 for 2006 and 2007 respectively. Therefore, the total amount in accounts receivable is \$18,225 at December 31, 2007.

C. Notes Receivable

Region III holds a note receivable from a local non-profit organization pursuant to a lease agreement dated February 1, 2003. The note bears interest of 10 percent and is due in monthly installments of \$1,323. Upon expiration of the lease term on January 31, 2008, the property deed and title will transfer to the lessee free and clear of monetary liens and encumbrances.

The balance of the note as of fiscal year ended December 31, 2005 was \$30,119. Future maturities of amounts due are as follows:

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<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 13,772	\$ 2,104	\$ 15,876
2007	15,034	842	15,876
2008	1,313	-	1,313
	<u>\$ 30,119</u>	<u>\$ 2,946</u>	<u>\$ 33,065</u>

The balance of the note as of fiscal year ended December 31, 2006 was \$16,347. Future maturities of amounts due are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 15,034	\$ 842	\$ 15,876
2008	1,313	-	1,313
	<u>\$ 16,347</u>	<u>\$ 842</u>	<u>\$ 17,189</u>

The balance of the note as of December 31, 2007 was \$1,313. Future maturities of amounts due are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,313	\$ -	\$ 1,313
	<u>\$ 1,313</u>	<u>\$ -</u>	<u>\$ 1,313</u>

D. Capital Assets

Capital asset activity for the fiscal years ended December 31, 2005, 2006 and 2007 were as follows:

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Region III Housing Authority – FY2005

Description	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
Business-Type Activities:				
Land	\$ 85,000	\$ -	\$ -	\$ 85,000
Depreciable capital assets				
Equipment	28,971	-	-	28,971
Building	215,416	8,082	-	223,498
Total depreciable capital assets	244,387	8,082	-	252,469
Less: accumulated depreciation				
Equipment	(14,990)	(7,181)	-	(22,171)
Building	(11,530)	(5,794)	-	(17,324)
Total accumulated depreciation	(26,520)	(12,975)	-	(39,495)
Net depreciable capital assets	217,867	(4,893)	-	212,974
Capital assets, net	\$ 302,867	\$ (4,893)	\$ -	\$ 297,974

Region III Housing Authority – FY2006

Description	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
Business Type-Activities:				
Land	\$ 85,000	\$ -	\$ -	\$ 85,000
Depreciable Capital Assets				
Equipment	28,971	-	-	28,971
Building	223,498	-	-	223,498
Total depreciable capital assets	252,469	-	-	252,469
Less: accumulated depreciation				
Equipment	(18,711)	(7,180)	-	(25,891)
Building	(20,784)	(5,794)	-	(26,578)
Total accumulated depreciation	(39,495)	(12,974)	-	(52,469)
Net depreciable capital assets	212,974	(12,974)	-	200,000
Capital assets, net	\$ 297,974	\$ (12,974)	\$ -	\$ 285,000

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Region III Housing Authority – FY2007

Description	Balance 12/31/06	Additions	Deletions	Balance 12/31/07
Business Type-Activities:				
Land	\$ 85,000	\$ -	\$ (85,000)	\$ -
Depreciable capital assets				
Equipment	28,971	-	(28,971)	-
Vehicle	-	13,404	-	13,404
Building	223,498	-	(223,498)	-
Total depreciable capital assets	252,469	13,404	(252,469)	13,404
Less: accumulated depreciation				
Equipment	(25,891)	(3,080)	28,971	-
Vehicle	-	(8,042)	-	(8,042)
Building	(26,578)	(4,787)	31,365	-
Total accumulated depreciation	(52,469)	(15,909)	60,336	(8,042)
Net depreciable capital assets	200,000	(15,909)	(192,133)	5,362
Capital assets, net	\$ 285,000	\$ (2,505)	\$ (277,133)	\$ 5,362

Housing Enterprises, Inc. – FY2005

Description	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
Business Type-Activities:				
Vehicles	33,511	32,482	-	65,993
Total capital assets	33,511	32,482	-	65,993
Less: accumulated depreciation				
Vehicles	(3,351)	(12,244)	-	(15,595)
Total accumulated depreciation	(3,351)	(12,244)	-	(15,595)
Net capital assets	\$ 30,160	\$ 20,238	\$ -	\$ 50,398

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NOTES TO THE FINANCIAL STATEMENTS
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Housing Enterprises, Inc. – FY2006

Description	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
Business Type-Activities:				
Vehicles	\$ 65,993	\$ -	\$ -	\$ 65,993
Total capital assets	65,993	-	-	65,993
Less: accumulated depreciation				
Vehicles	(15,596)	(13,198)	-	(28,794)
Total accumulated depreciation	(15,596)	(13,198)	-	(28,794)
Net capital assets	\$ 50,397	\$ (13,198)	\$ -	\$ 37,199

Housing Enterprises, Inc. – FY2007

Description	Balance 12/31/06	Additions	Deletions	Balance 12/31/07
Business Type-Activities:				
Depreciable Capital Assets				
Vehicles	\$ 65,993	\$ -	\$ (65,993)	\$ -
Totals-depreciable capital assets	65,993	-	(65,993)	-
Less: Accumulated depreciation				
Vehicles	(28,794)	(13,198)	41,992	-
Total accumulated depreciation	(28,794)	(13,198)	41,992	-
Net depreciable capital assets	37,199	(13,198)	(65,993)	-
Net capital assets	\$ 37,199	\$ (13,198)	\$ (24,001)	\$ -

E. Due To/Due From

During the fiscal years ended December 31, 2005, 2006 and 2007, Region III either advanced funds to the regional housing authorities of Region I, IV, and VII or paid expenditures on their behalf. The following is a schedule of the due to and due from balances for the three fiscal years:

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Due from Region I, IV and VII:
For Fiscal Years Ending 2005, 2006, and 2007

Due From Region I	12/31/2005	12/31/2006	12/31/2007
Beginning Balance	\$ 11,280	\$ 161,690	\$ 346,457
Audit Fees	-	8,540	-
Advertising	124	-	-
Cash Advance	146,000	174,501	-
Deposit	-	(936)	-
Misc Expense	538	-	-
Payroll Expense	955	-	-
Per Diem	2,363	-	-
Retirement	231	1,603	-
Telephone Service	-	132	-
Training	199	927	-
Total Due from Region I	<u>\$ 161,690</u>	<u>\$346,457</u>	<u>\$ 346,457</u>

Due From Region IV:	12/31/2005	12/31/2006	12/31/2007
Beginning Balance	\$ -	\$ 12,200	\$ 95,258
Accounting Fees	4,655	6,441	-
Advertising	-	243	-
Cash Advance	-	10,000	-
Filing Fees	100	-	-
Legal Fees	5,795	30,728	-
Misc Expense	312	136	-
Payroll Expense	-	17,347	-
Per Diem Expense	1,338	11,888	-
Postage	-	144	-
Retirement	-	5,822	-
Training	-	309	-
Total Due from Region IV	<u>\$ 12,200</u>	<u>\$ 95,258</u>	<u>\$ 95,258</u>

Due From Region VII:	12/31/2005	12/31/2006	12/31/2007
Beginning Balance	\$ 248,796	\$ 451,275	\$ 560,460
Advertising	859	-	-
Cash Advance	194,466	100,557	-
Legal Fees	-	2,743	-

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Misc Expense	213	75	-
Payroll Expense	3,800	-	-
Per Diem	3,141	1,851	-
Retirement	-	1,603	-
Supplies	-	1,000	-
Training	-	1,356	-
Total Due from Region VII	\$ 451,275	\$ 560,460	\$ 560,460

Region III transferred funds to Region I, IV and VII as follows:

<u>During Fiscal Year:</u>	<u>Region I</u>	<u>Region IV</u>	<u>Region VII</u>	<u>Total</u>
2005	\$161,690	\$12,200	\$451,275	\$625,165
2006	184,767	83,058	109,185	377,010
2007	-0-	-0-	-0-	-0-
Totals	\$346,457	\$95,258	\$560,460	\$1,002,175

As of December 31, 2007, the following regional housing authorities owe the following amounts to Region III: Region I owes \$346,457, Region IV owes \$95,258, and Region VII owes \$560,460. Documentation was not found that demonstrates that the amounts loaned to other regional housing authorities by Region III were formally authorized by Region III's Board of Director's (Board). Documentation also was not found that demonstrates that the Board delegated the authority to Region III management to make loans to other regional housing authorities on behalf of Region III. In addition, it appears that there were no signed documents by Regions I, IV, and VII for the repayment of these loans.

Region III entered into certain agreements for professional services with other regions; however, documentation could not be located that supported the advance of funds, payment of expenditures or indicated that these transactions were formally authorized by the Board. For example, Regions I and VII did not have operating revenue. Region III either advanced funds to Regions I and VII or paid expenditures on behalf of Regions I and VII to cover their operating expenses. Region III did enter into a professional services agreement with Region VII on June 11, 2003 "to provide housing services for Region VII Housing Authority." Under the agreement, Region III also agreed "to provide fiscal services by issuing payment to . . . [entities] which are directly associated with the Region VII Housing Authority undertakings and/or goals."

Region I entered into a professional services agreement with HEI on January 21, 2005. Under that agreement, Region I retained the services of HEI "to provide

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technical support to Region I.” Regarding the loans made to Region I by Region III, the minutes of Region I’s Board of Commissioners from August 29, 2006 state that “there are no signed documents by Region I on the loan and how it was to be paid back, it was all verbal.” The minutes also state that Region I owes Region III for operating expenses.

Additionally, Region III entered into a professional services agreement with Region IV. Pursuant to its agreement with Region IV, entered into on June 21, 2004, Region III agreed to provide “housing services for Region IV” and “to provide fiscal services by issuing payment to . . . [entities] which are directly associated with the Region IV Housing Authority undertakings and/or goals.” The agreement also provided that Region IV and Region III “shall collaborate and leverage funds to deliver affordable housing to low and moderate-income households.” For its services under the agreement, Region III was to submit monthly invoices to Region IV.

Region III’s management advised Region IV’s management to become an independent regional housing authority and to continue operations as a stand alone entity. At that time, Region IV was a blended component unit of Eastern Plains Council of Governments. The monetary assistance Region III provided to Region IV included legal fees totaling \$36,523.

The checks from Region III were typically signed by the Executive Director and a board member of Region III; however, there was no other documentation supporting authorization of the advances of funds by Region III to other regional housing authorities or the payments for goods and services on behalf of other regional housing authorities.

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F. Operating Transfers

The composition of the interfund balances for fiscal years ended December 31, 2005, 2006 and 2007 is as follows:

Transfer of Funds for 2005	
Region III Housing Authority	\$ 313,114
Housing Enterprise Inc.	(313,114)
	<u>\$ -0-</u>

Transfer of Funds for 2006	
Region III Housing Authority	\$ 576,606
Housing Enterprise Inc.	(576,606)
	<u>\$ -0-</u>

Transfer of Funds for 2007	
Region III Housing Authority	\$ 589,897
Housing Enterprise Inc.	(589,897)
	<u>\$ -0-</u>

G. Long-Term Debt

Region III had several notes payable with a variety of lenders. As of December 31, 2005, Region III had the following outstanding notes payable: Capital Concepts #1 in the amount of \$73,612; Neighborhood Housing Services of Albuquerque (NHS) in the amount of \$67,500; and Sunwest Trust in the amount of \$117,414.

In addition, in the fiscal year ended December 31, 2005, Region III acquired two new notes payable from Capital Concepts #2 in the amount of \$75,000 and Capital Concepts #3 in the amount of \$20,000. The minutes for Region III's Board did not indicate that the Board formally approved these loans in 2005.

As of December 31, 2006, Region III had the following outstanding notes payable balances: Capital Concepts #1 in the amount of \$73,612; Capital Concepts #2 in the amount of \$75,000; NHS in the amount of \$67,500; and Sunwest Trust in the amount of \$109,297.

During the fiscal year ended December 31, 2007, Region III paid off all its notes payable by selling its office building and equipment.